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ERD-7562*Office Memorandum* • UNITED STATES GOVERNMENT

TO : Executive

FROM : Budget Officer

SUBJECT: Audit of Entertainment Accounts

DATE: 16 November 1949

1. A review of the report submitted 28 October 1949 by the Chief, Audit Division, Inspection and Security, with respect to entertainment accounts applicable to the period 1 January through 8 September 1949 reflects that there is in general a prudent use of confidential funds for entertainment purposes. The aggregate amounts involved appear to be relatively small compared with the potentialities as to the possible intelligence value acquired by such expenditures.

2. On the basis of the report this office is basically in accord with the conclusions of the Chief, Audit Division, I&S, as set forth in paragraph 9 of his report. However, in order to be in a better position to recommend or take action with respect to specific items or categories covered in the report, it is suggested that a request be made to the Acting Chief, Finance Division through the Acting Chief, Special Support Staff, for specific comments as to the circumstances and any further facts relating to those items in the report which may appear to be unusual or somewhat out of line. This is especially desirable with respect to sub-paragraphs 6 (a)(c), 7 (a)(b)(c), and 8 (b)(d)(e) and (f) of the report in order to permit more firm recommendations or take action in coordination with the Acting Chief, Finance Division.

3. It is the definite opinion of this office that all CIA officials utilizing entertainment funds should be required to deduct from the total amount expended the sum which they would normally spend for each meal in the same manner as is being done by the representatives of the Contact Branch. When individuals are in a travel status and drawing per diem, a reduction of 1/5th of the per diem should be made for each meal taken during the course of entertainment at CIA expense.

4. The chart presented under sub-paragraph 8 (a) of the report and Table #1 attached to the report indicates that the expense per individual is not abnormal although the fact that deductions are made for the normal cost of the meals of Contact Branch personnel apparently, in large part, occasions the average cost per person of that Branch to be lower than those applicable to OSO and OPC.

5. The information set forth in sub-paragraph 8 (c) of the report should probably be directed to the attention of the Assistant Director, Office of Operations, for information and guidance purposes.

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- 2 -

6. Based on informal discussions with the Acting Chief, Finance Division, and in view of the comments of the Chief, Audit Division, I&S, we wish to refrain from making specific comments on some of the items covered by the report such as the delay in submitting accounts referred to in sub-paragraph 7 (c) of the report. It is believed that the matter of amending the regulations should be given additional consideration since some improvement has recently been made by the Finance Division with respect to compliance with technical requirements of the regulations and inasmuch as the regulations permit a certain amount of discretion on the part of the Certifying Officer as indicated in that portion of the regulations which states "or other data acceptable to the Certifying Officer".

7. It will be appreciated if comments are obtained from the Acting Chief, Finance Division and forwarded to this office in order that we may make more concrete comments for your consideration.



E. R. SAUNDERS

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